

LEWIS, RICE & FINGERSH

A PARTNERSHIP INCLUDING PARTNERSHIPS AND INDIVIDUALS

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Andrew Rothschild

January 20, 1992

Alan Held
U. S. Department of Justice
Constitution Avenue and
10th Street, N.W.
Washington, D.C. 20530

Steven Siegel
Assistant Regional Counsel
U.S. EPA, 5CS-TUB-3
230 S. Dearborn Street
Chicago, IL 60604

Re: NL Industries/Terra Corp. Site, Granite City, Illinois

Gentlemen:

This letter memorializes matters which I have discussed recently by telephone with Steve Siegel regarding settlement of all matters concerning the Trust 454 property, the trustee and the beneficial owner and access to the property by the government.

We agree to negotiate a settlement containing the following elements. The parties will have to finalize the actual terms and agreement language.

1. Regarding access to the property, it is agreed that Trust 454 will grant access to the property to the government but will retain the exclusive use of the warehouse and a reasonable amount of property surrounding the warehouse and reasonable ingress and egress from the warehouse. Further, we desire language which would insure that Trust 454 will retain use of the remainder of the property until and unless the government actually needs access. For example, a 30-day notification provision may be appropriate. Additionally, we desire language which will insure that the government will only use so much of the property temporarily or permanently as may be necessary.

EPA Region 5 Records Ctr.



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2. An appropriate dismissal of the trustee from the pending lawsuit.

3. An appropriate covenant not to sue for Mr. Aerne, the beneficial owner.

4. Full releases by the government to the trustee and the beneficial owner.

5. Contribution protection to the trustee and Mr. Aerne from third parties.

6. An agreement that no lien or encumbrance will be placed on the property by the government under CERCLA or otherwise.

7. We reserve the right to negotiate additional terms as may become necessary in the course of finalizing the agreement.

I am enclosing the following information which you have requested for your consideration. We have agreed that you will keep this information strictly confidential and it will not be disclosed to anyone who does not have a need to review it within the government:

1. Walt Aerne's tax returns for years 1986 through 1990.

2. Walt Aerne's current financial statement. You will note that a significant percentage of Mr. Aerne's assets are non liquid.

3. A copy of the lease between St. Louis Lead Recyclers and the Trust. We are enclosing the original lease dated May 1, 1982 and a modification dated January 1, 1987. St. Louis Lead Recyclers defaulted on its rent payments as of August, 1990. The lease was terminated thereafter due to the default.

4. You have asked whether there are other assets held by Trust 454. The answer is in the negative. This property is the only asset held by Trust 454.

Lastly, I am enclosing the notarized statement of Mr. Aerne which is submitted in response to your letters of May 3, 1991; June 25, 1990; November 18, 1989; and an administrative order dated November 17, 1990. This response should correct the omission in your files regarding Trust 454.

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Mr. Strassner, on behalf of Magna Trust Company, and I, on behalf of Mr. Aerne, look forward to hearing from you in resolving this matter.

Very truly yours,



Andrew Rothschild

AR/jaj

Enclosures

January 7, 1992

Mr. Brad Bradley
Remedial Project Manager
U.S. EPA, 5HS-11
120 S. Dearborn Street
Chicago, IL 60604

Steven Siegel, Esq.
Assistant Regional Counsel
U.S. EPA, 5CS-TUB-3
230 S. Dearborn Street
Chicago, Illinois 60604

Mr. Steve Davis
Project Manager
Illinois Environmental
Protection Agency
2200 Churchhill Road
Springfield, IL 62706

Alan Held, Esq.
Kevin P. Holewinski, Esq.
U.S. Dept. of Justice
Constitution Avenue and
10th Street, N.W.
Washington, D.C. 20530

U.S. Environmental Protection
Agency
Gladys Watts, 5HS-12
230 S. Dearborn Street
Chicago, Illinois 60604

Re: NL Industries/Terra Corp. Site, Granite City, Illinois

Gentlemen:

I am the beneficial owner of Trust 454. As you know, Trust 454 has been identified as a potentially responsible party at the above referenced site.

By letters dated May 3, 1991; June 25, 1990; November 18, 1989; and an Administrative Order ("Order") dated November 17, 1990, the Environmental Protection Agency ("EPA") has demanded that Trust 454 pay certain amounts and take certain actions with respect to alleged contamination claimed to be present on the property of Trust 454. Subsequently Trust 454 was named in a lawsuit brought by the United States in the Southern District of Illinois.

As you know, Magna Trust Company, the trustee of Trust 454, you and I have recently discussed settlement. In the course of those negotiations, it became apparent that no formal response had been provided to the EPA with respect to the above referenced letters and Order. While I understand my counsel may have already informally supplied you certain information and responses in connection with the ongoing settlement negotiations, I wish to take this opportunity to provide you with a formal written response.

With regard to the information requested by letter dated November 28, 1989, the questions beginning on page 3 thereof are apparently directed to the generators of the substances which allegedly resulted in contamination. Trust 454 did not generate any such waste or substances. Nor did it arrange for the transportation of hazardous substances to the site. Further, as the

beneficial owner of Trust 454, I possess no documents responsive to requests one and six. I am the individual responsible for the information included in this response. I have been assisted by my attorney in connection with the preparation of this response. My signature at the bottom of this letter shall be certification that the foregoing response to EPA's letter of November 28, 1989, is true and accurate to the best of my knowledge and belief.

Further, EPA's letters of November 28, 1989; June 25, 1990; and May 3, 1991 and the Order each request or demand the performance or financing of certain activities specified therein with respect to the site. In response to that demand, I hereby state that the only asset of Trust 454 is the property which the EPA has previously identified as the Trust Property. Further, while I am the beneficial owner of Trust 454, unlike the many significant companies identified among the group of potentially responsible parties, I do not have the financial ability to comply with the demands contained in the letters and Order. I do however wish to cooperate with EPA. Consequently, I am pursuing settlement discussions in good faith through my attorneys, Lewis & Rice. Please direct all future correspondence to Andrew Rothschild at Lewis, Rice & Fingersh, 611 Olive Street - Suite 1400, St. Louis, Missouri 63101.

Very truly yours,

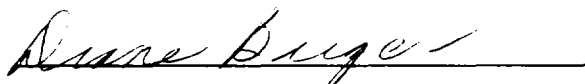


Walter Aerne

STATE OF Missouri)
CITY OF St. Louis) SS

On this 10th day of January, 1992, before me personally appeared Walter Aerne, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the City and State aforesaid, the day and year first above written.



Notary Public

(SEAL)

My commission expires: 8-24-92